

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 388 – SB 485

April 15, 2011

SUMMARY OF AMENDMENTS (005975, 006328): Deletes Section 3 and amends Section 4 of the original bill. A scholarship eligible student will be a student who resides in a Tennessee school district that is located in a county with a population of 335,000 or more or is currently enrolled in the Achievement School District; was a member of a household whose total annual income during the year prior to the receipt of a scholarship qualified or would have qualified the student as a low-income student; was eligible to attend a public school in the semester preceding the semester in which the student receives a scholarship; or is starting school in Tennessee for the first time. Schools eligible to participate include another school within the same local education agency (LEA), a public charter school, or a private school. Requires a public charter school or nonpublic school to notify the Department of Education of its intention to accept scholarship eligible students. Changes the total scholarship amount to the lesser of either 50 percent of the BEP per pupil expenditure that the student's resident LEA would have allocated from state and local resources for participating students or the participating school's annual cost per pupil, including operational and capital facility costs. Deletes language that in the event a student who is receiving a scholarship leaves a school or fails to complete the school year at a participating school, the scholarship money shall revert to the student's resident school district if the student returns to the resident LEA.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$403,100/FY11-12
\$806,300/FY12-13
\$1,209,400/FY13-14
\$1,612,600/FY14-15
Exceeds \$1,612,600/FY15-16 and Subsequent Years

Increase Local Expenditures – \$13,530,600/FY11-12
\$38,535,800/FY12-13
\$57,800,300/FY13-14
\$77,068,200/FY14-15
Exceeds \$77,068,200/FY15-16 and Subsequent Years*

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase Local Expenditures – Net Impact – Not Significant

Assumptions applied to amendments:

- Students currently attending public school in the Davidson County, Hamilton County, Knox County, Shelby County, and Memphis City LEAs will be eligible to participate.
- The scholarship amount will be limited to 50 percent of the total BEP amount that is spent on each student. This amount will change annually depending on the LEA fiscal capacity and the LEA average daily membership (ADM).
- Fifty percent of the BEP per pupil funding will shift to the public charter school or private school of an eligible student's choosing. The 50 percent of the BEP per pupil amount that will not be used for scholarships will be kept by the resident LEA.
- LEAs will make up half of the transfer of funding through the retention of BEP funding and half through annual LEA adjustments. The net impact on local expenditures from the transfer of funds will be not significant.
- No increase in state expenditures for administration of the scholarship program.
- Any increase in state or local expenditures to notify students of this program will not be significant.
- LEAs are not required to provide transportation; therefore, there will not be an increase in state or local expenditures for this purpose.
- All participating students will be counted in their resident school district for the purposes of ADM.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "James W. White" followed by a stylized flourish or initials.

James W. White, Executive Director

/msg